

PUBLIC DISCLOSURE

November 27, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**CITY OF BOSTON CREDIT UNION
67841**

**One Union Street, Third Floor
Boston, MA 02108**

**Division of Banks
1000 Washington Street, 10th Floor
Boston, MA 02118**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) to use its authority when examining financial institutions subject to its supervision, to assess the institution’s record of meeting the needs of its entire assessment area, including low- and moderate-income individuals, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution’s record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **City of Boston Credit Union (the “Credit Union”)**, prepared by the Division, the institution’s supervisory agency as of November 27, 2012. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

INSTITUTION’S CRA RATING: This institution is rated **Satisfactory**.

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low-and moderate-income individuals, in a manner consistent with its resources and capabilities.

This evaluation is based on the Small Institution CRA evaluation procedures specified for institutions with assets under \$250 million, adjusted annually. A summary of the Credit Union’s performance is provided below.

Shares from the membership are returned to members in the form of mortgages and unsecured loans. Net Loan-to-Share ratios are at a reasonable level.

The distribution of real-estate secured and unsecured consumer loans to borrowers of different income levels is considered adequate and is representative of the membership

No CRA related complaints were received during the evaluation period. A Fair Lending review indicates the Credit Union has made reasonable efforts in ensuring all members have equal access to credit and services.

SCOPE OF EXAMINATION

This performance evaluation assesses the Credit Union's performance under the Small Institution Procedures which includes an analysis of the distribution of home mortgage lending and unsecured consumer lending among borrowers of different income levels.

The CRA evaluation considered home mortgage activity from January 1, 2011 through the first three quarters of 2012. In addition, the Credit Union's unsecured consumer lending was considered for the first three quarters of 2012 as this product represents a relatively significant portion of the Credit Union's loan portfolio.

Information concerning home mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Credit Union, pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including refinancing, of one- to four-family and multifamily (five or more units) properties. The primary focus and information presented in the tables is the Credit Union's HMDA lending performance in 2011. Residential lending for the first three quarters of 2012 was also analyzed to identify any significant trends or anomalies.

The evaluation also considered unsecured consumer loans. The Credit Union is not required to report its consumer lending activities, but the Credit Union chose to collect this data internally. Information concerning consumer lending was derived from internal loan reports and a sample of loans was used, based on CRA sampling procedures, to analyze the Credit Union's consumer lending. Consumer loans for purposes of this evaluation include personal loans, student tuition loans, holiday loans, and vacation loans.

According to the CRA regulations, an institution shall delineate one or more assessment areas within which the institution will serve to meet the credit needs and by which the Division will evaluate the institution's CRA performance. A credit union whose membership by-laws provisions are not based upon residence are permitted to designate its membership as its assessment area. City of Boston Credit Union has defined its membership as its assessment area, as opposed to a geographic area. Therefore, an evaluation of credit extended within defined geographic areas was not conducted; as such an analysis would not be meaningful. This evaluation was based upon an analysis of the Credit Union's performance in providing loans to its membership; providing loans to individuals of various income levels, including low- to moderate-income members and the Credit Union's fair lending performance.

PERFORMANCE CONTEXT

Description of Institution

City of Boston Credit Union was established on November 15, 1915. The institution's administrative office is located at One Union Street in Boston. The Credit Union also operates three branch locations at Room 242 City Hall in Boston; 1010 Morrissey Boulevard in the Dorchester neighborhood of Boston; and 77 Spring Street in the West Roxbury neighborhood of Boston. The West Roxbury branch opened shortly after the last examination in 2005. Office hours are convenient and are accessible to all members. The branch hours vary by location: City Hall hours are Monday through Friday 8:00 a.m. to 4:00 p.m.; the Dorchester and West Roxbury Branch hours are Monday through Friday 8:00 a.m. to 5:00 p.m and Saturday 8:00 a.m. to 12:00 p.m.; and the West Roxbury branch has a drive-up facility and its hours are similar with extended hours on Thursday until 7:00 p.m. Each branch has an ATM and there are seven additional ATM locations throughout Boston. ATM's utilize the SUM Network, which is comprised of an alliance of financial institutions that waive ATM surcharge fees.

As of September 31, 2012, the Credit Union's assets totaled \$293.2 million. The Credit Union's loan portfolio totaled \$141.2 million or 48 percent of the Credit Union's total assets. The largest portion of the loan portfolio by number is comprised of unsecured loans with 81.0 percent of total loans. The largest portion by dollar amount is comprised of loans secured by real estate, which represent 54.7 percent of the total loan portfolio. The following table reflects the loan portfolio distribution.

Table 1 - Loan Portfolio as of September 31, 2012		
Loan Type	Dollar Amount	Percent of Total Loans (%)
First Mortgage Real Estate Loans/Lines of Credit	77,229,133	54.7
Other Real Estate Loans/Lines of Credit	10,869,538	7.7
Non-Federally Guaranteed Student Loans	3,410,221	2.4
New Vehicle Loans	5,502,030	3.9
Used Vehicle Loans	4,017,582	2.8
All Other Unsecured Loans/Lines of Credit	39,122,677	27.7
Total All Other Loans/Lines of Credit	999,811	0.7
Less – ALLL	(1,747,366)	
Total	\$141,150,992	100.0

Source: 9/30/12 Consolidated Report of Condition.

The Division last examined the Credit Union for compliance with CRA on October 24, 2005. The examination resulted in a CRA rating of Satisfactory.

There are no apparent financial or legal impediments that would limit the Credit Union's ability to help meet the credit needs of its membership.

Description of Assessment Area

In accordance with 209 CMR 46.41, the Credit Union defines its membership as its assessment area. Membership in the Credit Union is limited to the following:

1. Persons who live or work in Norfolk or Suffolk Counties, Massachusetts.
2. Organization Members located in Norfolk or Suffolk Counties, Massachusetts. As defined in section 1 of chapter 171 of the Massachusetts General Laws or any regulation promulgated by the Division of Banks.
3. Persons whose salaries, wages, compensation, pensions or annuities which are available for payroll deduction or transfer of funds are paid in whole or part by the City of Boston, Commonwealth of Massachusetts, or any department, commission or authority, within the Commonwealth of Massachusetts.
4. Employees of the City of Boston Credit Union.
5. Family members of persons described in 1, 3 or 4 may become members. A family member is defined as mother, father, sister, brother, wife, husband, daughter, son, grandmother, grandfather, or grandchild.

As of December 4, 2012, the Credit Union's membership totaled approximately 20,500.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

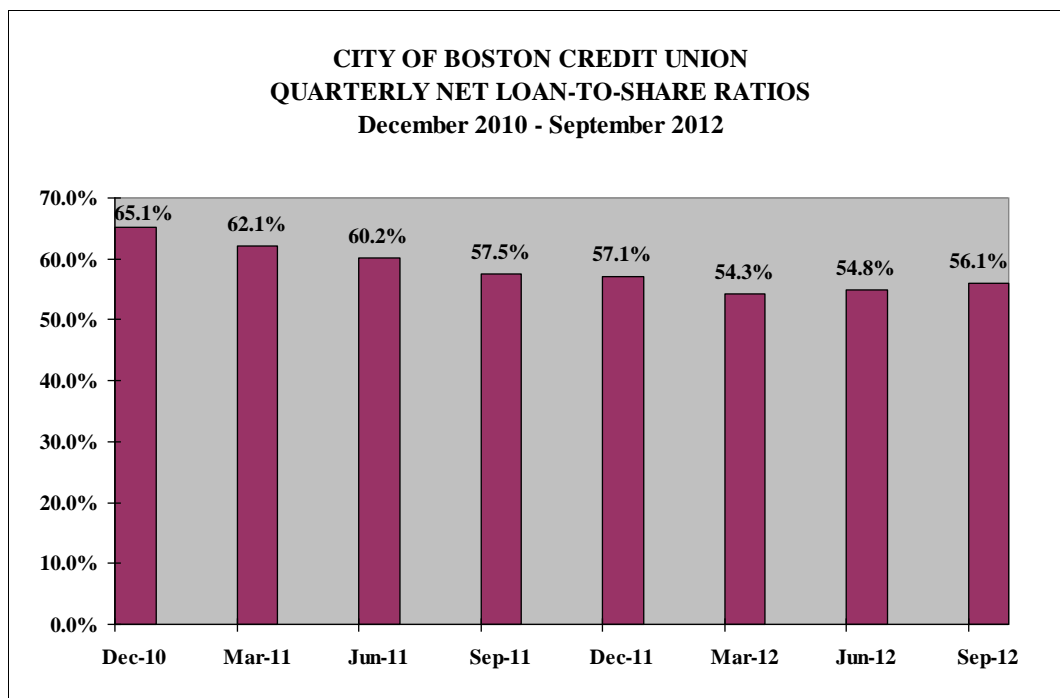
Small Institution CRA evaluation procedures were used to assess the CRA performance. Since the Credit Union defined its assessment area as its membership, this evaluation considered the institution's performance pursuant to the following criteria: net loan-to-share (LTS) ratio; lending to borrowers of different incomes; and record of taking action in response to CRA complaints and the Credit Union's fair lending performance.

LOAN-TO-SHARE (LTS) ANALYSIS

This performance criterion determines what percentage of the Credit Union's deposit base is reinvested in the form of loans. Based upon the Credit Union's asset size, its capacity to lend, and the credit needs of the membership, the analysis of City of Boston Credit Union's net LTS ratio indicates the Credit Union meets the standards for satisfactory performance.

The average LTS ratio the period was 58.4 percent and was determined by averaging the quarterly net LTS ratios derived from the 8 consolidated Reports of Condition and Income filed during the period from December 31, 2010, through September 30, 2012.

Changes in loan and share amounts were analyzed to assess fluctuations in the net LTS ratios. The Credit Union's LTS ratio declined from December 2010 through March 2012 (65.1 percent to 54.3 percent) and has since displayed an upward trend. Conversations with management reveal the decrease in the ratio reflects the growth the Credit Union experienced in its shares which outpaced the growth in net loans. The upward trend since March 2012 is attributable to both increasing membership shares and an increase in loan applications from members driven by a decrease in loan rates for both real estate and consumer loans, which became more favorable to borrowers. The following graph illustrates the net LTS detail for the period reviewed.



For evaluation purposes, the Credit Union's average net LTS ratio was compared with similarly-situated institutions. The Credit Union's LTS is lower than the three similarly-situated institutions.

Table 2		
Net Loan-to-Share Ratios		
Institution	Average Net LTS Ratio	Assets at 9/30/2012 (\$'000)
Mass Bay Credit Union	82.8%	196,040
City of Boston Firefighters Credit Union	74.3%	188,624
<i>City of Boston Credit Union</i>	<i>58.4%</i>	<i>293,223</i>

Based on the Credit Union's capacity to lend, the capacity of other similarly situated credit union, the type of loans available, and the lending opportunities available to its membership, the loan to share ratio of the Credit Union is adequate.

DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The Credit Union's lending, based upon the analysis of residential and consumer loans by borrower income, meets the standards for satisfactory performance in providing credit to member of all income levels.

The Credit Union's loan data from January 1, 2011 through September 30, 2012 was analyzed in order to determine the distribution of credit based upon the income level of borrowers. This data was based on the median family income for the Boston-Quincy, MA Metropolitan Division (MD), which was estimated to be \$96,500 in 2011 and \$97,800 in 2012. The distribution of families by income level for the Boston-Quincy MA MD was used as a point of reference although, as previously noted, the Credit Union's membership is not based on geography.

As defined by the U.S Department of Housing and Urban Development (HUD), low-income is defined as income level or area that earns less than 50 percent of the median family income. Moderate-income is defined as income level or area that earns 50 percent to less than 80 percent of the median family income. Middle-income is defined as income level or area that earns 80 percent to less than 120 percent of the median family income, while Upper-income is defined as income level that is equal or greater than 120 percent of the median family income.

Residential Lending:

The following table details the number of residential loans originated and is categorized by the applicants' reported income in relation to the median family income for the Boston-Quincy (MD). The Credit Union originated 106 residential loans for the period reviewed (29 in 2011 and 77 in 2012). Loans to low-and moderate-income borrowers represent 3.4 percent and 20.7 percent, respectively. From January 1, 2011 to September 30, 2012, the overall volume of loans more than doubled and there was an increase within each income level, primarily due to a decrease in rates.

Table 3 - Distribution of HMDA Loans by Borrower Income by Number					
Median Family Income Level	Percent of Families	2011		2012	
	%	#	%	#	%
Low	20.8	1	3.4	4	5.2
Moderate	17.1	6	20.7	7	9.1
Middle	21.6	7	24.2	24	31.2
Upper	40.5	14	48.3	42	54.5
N/A	0.0	1	3.4	0	0.0
Total	100.0	29	100.0	77	100.0

Unsecured Consumer Loans

The table below details the number of consumer loans originated and is categorized by the applicant's income level in relation to the median family income for the Boston-Quincy (MD). The sample included 99 loans from the first three quarters of 2012 out of an overall loan volume totaling 2,985 consumer loans. Based on the sample, loans extended to borrowers within the moderate-income category represented the largest individual category with 35.5 percent of the total number of loans. This is in-line with management's estimate of member demographics. The loans to low-income borrowers represented 12.1 percent, loans to middle-income borrowers represented 23.2 percent and upper- income borrowers were 30.0 percent.

Table 4 - Distribution of Unsecured loans by Borrower Income			
Median Family Income Level	Percent of Families	2012	
	%	#	%
Low	20.8	12	12.1
Moderate	17.1	35	35.4
Middle	21.6	23	23.2
Upper	40.5	29	30.0
Total	100.0	99	100.0

Based on the analysis of borrower income, the Credit Union demonstrates satisfactory performance in providing loans to borrower of different incomes.

RESPONSE TO CRA COMPLAINTS AND COMPLIANCE WITH FAIR LENDING LAWS

Review of Complaints

The Credit Union received no complaints pertaining to its CRA performance since the previous examination. However, the Credit Union maintains adequate procedures to handle all incoming consumer complaints, including those relating to its CRA performance.

Fair Lending Policies and Practices

City of Boston Credit Union's fair lending performance was reviewed to determine how it conforms to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. In addition, a review of the Credit Union's residential loan application files was conducted to check for fair lending issues. No indication of discriminatory or other illegal credit practices inconsistent with helping to meet the membership credit needs were identified during the evaluation.

The Credit Union has a secondary review process for denied applications. All loans are presented to the Credit Committee before a final denial is issued. The Credit Union's staff has received adequate training relative to fair lending.

Based upon the review of the Credit Union's performance relative to fair lending policies and practices, the institution's performance level is Satisfactory.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at One Union Street, 3rd Floor, Boston, MA 02108

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.